

An Introduction to Self Assessment

It is a fundamental part of the self assessment system that responsibility lies with you, the taxpayer, to file Returns and pay the right amount of tax, at the right time – you must not wait for HM Revenue & Customs (HMRC) to ask.

Tax returns

Tax returns covering income for the year ending 5 April 2012 will be issued on or after 6 April 2012, and will consist of a main tax form and supplementary changes. Your tax office will send out what they think are the relevant supplementary pages. If you need other supplementary pages you will have to ask for them. The completed full return has to be submitted to HMRC by the 'filing date', which is 31 October 2012 for paper returns, and 31 January 2013 for online returns.

You should note that your return must be completed as far as the total income on which tax has to be paid. Figures must be given for every item, even if only estimates. It is not possible to enter question marks or leave the tax inspector to decide whether an item is taxable or not. The only section that can be left for the tax office to complete is the actual calculation of the tax due on your total income.

If you have taxable income or capital gains for 2011-12 and have not received a tax return, you must advise your tax office by 5 October 2012 at the latest.

There are automatic penalties for late filing of tax returns. Failure to submit the tax return by the filing date (see above) incurs a £100 penalty. If it has still not been returned three months later, daily penalties of £10 per day will accrue, running for a maximum of 90 days. There will be further penalties of 5% of tax due for the return period (or £300 if greater) for prolonged failures, which arise after 6 months and again after 12 months.

Amendments, enquiries, and record keeping

You have one year from the filing date to make any amendments to the return. HMRC may correct obvious errors or mistakes within nine months of receipt of the return.

Within a period of one year from the date the tax return is submitted, HMRC have a right to make enquiries to check that the tax return has been correctly completed. No reason for the enquiry need be given.

All records relating to the return should be kept during this one-year period. If trading or rental income is involved, all records should be kept for a further four years.

Determinations

If a return is not submitted by the due date, HMRC can, within five years of the filing date, make an estimate to the best of its information and belief of the amount of tax due. This amount of tax will be payable *without appeal*, but will automatically be superseded when the return and self assessment are sent in.

Payment of tax

Payments on account of income tax (and Class 4 national insurance contributions) for a particular tax year will be due on 31 January in the tax year and 31 July following the end of the tax year. These payments will be based on one half of the total income tax liability (less any tax deducted at source) for the previous tax year. You have the right to reduce payments on account if you believe the income tax for the current year will be lower than that for the previous year. However, you may be charged interest if the reduction is more than it should be. Payments on account will not be required where each payment works out at less than £500.

Example

<i>Tax year</i>	<i>Final liability</i>	<i>Payments on account</i>	<i>Balance due</i>
2010-11	£6,400	£5,500	£900
2011-12	£7,200	£6,400	£800
2012-13	£7,800	£7,200	£600

<i>Payment date</i>	<i>Amount due</i>		
	<i>On account</i>	<i>Balance</i>	<i>Total</i>
31 January 2012	£3,200	£900	£4,100
31 July 2012	£3,200	-	£3,200
31 January 2013	£3,600	£800	£4,400
31 July 2013	£3,600	-	£3,600
31 January 2014	£3,900	£600	£4,500

Late payment penalties and interest

An automatic penalty of 5% will be levied on any 2011-12 tax outstanding at 2 March 2013, and further penalties of 5% will apply to any tax still outstanding at 31 July 2013 and 31 January 2014. There is a right of appeal against the penalties on the grounds of reasonable excuse.

In addition, interest will run on tax (and penalties) paid late, from the due date of payment to the actual date of payment. HMRC will pay interest on amounts overpaid, from the date of payment (or the due date if later) to the date of repayment.

Self assessment for employees

For employees, self assessment is not too drastic. The PAYE system means most employees should pay the correct amount of tax at source. An employee with relatively straightforward tax affairs is unlikely to be asked to complete a tax return.

Tax codes

The main cause of under or over payments of PAYE is actual benefits in kind being different from the estimates included in the tax code. If there are underpayments of tax, they may be collected by direct demand or, if modest, carried forward as an adjustment to their tax code for the next tax year but one. Self

assessment allows underpaid tax of less than £2,000 to be carried forward in this way. For online returns you must file your return by 30 December following the end of the tax year.

Information deadlines

So that employees can complete their tax returns properly, information deadlines are imposed on employers:

- Forms P60 must be provided to employees by *31 May* following the end of the tax year
- Copies of forms P11D and P9D must be provided to relevant employees by *6 July* following the end of the tax year
- Form P45 has a part for the employee to retain

Table of key dates

- 31 October 2011** - deadline for filing 2010-11 paper returns
- 30 December 2011** - tax return to be filed online if you want a tax underpayment of less than £2,000 collected via your 2012-13 PAYE code
- 31 January 2012** - online tax return for 2010-11 to be submitted
- payment of balance of income tax for 2010-11
 - payment of capital gains tax for 2010-11
 - first payment on account of 2011-12 income tax (normally half the *total* 2010-11 liability, adjusted for tax deducted at source)
 - first payment due date for 2011/12 Class 2 NICs
- 31 July 2012** - second payment on account of 2011-12 income tax
- second payment due date for 2011/12 Class 2 NICs
- 31 October 2012** - deadline for filing 2011-12 paper tax returns
- 30 December 2012** - tax return to be filed online if you want a tax underpayment of less than £2,000 collected via your 2013-14 PAYE code
- 31 January 2013** - online tax return for 2011-12 to be submitted
- payment of balance of income tax for 2011-12
 - payment of capital gains tax for 2011-12

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- first payment on account of 2012-13 income tax (normally half the total 2011-12 liability, adjusted for tax deducted at source)
- first payment due date for 2012/13 Class 2 NICs

31 July 2013

- second payment on account of 2012-13 income tax
- second payment due date for 2012/13 Class 2 NICs

... and so on.

Please contact us if you would like help with your self assessment returns.